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TAGS: [ETRD](#) [VM](#) [WTRO](#) [WTO](#) [IPROP](#)

SUBJECT: VIETNAM: DUSTR SHINER UNDESCORES USG SUPPORT FOR  
VIETNAM'S WTO ACCESSION

SENSITIVE BUT UNCLASSIFIED PROTECT ACCORDINGLY

1. (SBU) SUMMARY: In meetings July 25 with DPM Vu Khoan, Minister of Trade Truong Dinh Tuyen and other senior GVN officials, DUSTR Josette Shiner conveyed strong USG support for Vietnam's WTO accession; agreed to begin another round of bilateral market access negotiations in October; urged the GVN to begin taking steps to build a strong coalition in the U.S. that will support a Congressional vote in favor of Permanent Normal Trade Relations (PNTR) for Vietnam; pressed for GVN attention to important commercial issues including issuing licenses to U.S. insurance companies and reviewing GVN tax policy in the auto sector; and highlighted the importance of IPR in economic development. GVN officials welcomed more visible U.S. engagement on WTO and urged the USG to take Vietnam's level of development into consideration during negotiations. GVN officials made no specific commitments on insurance licenses or autos. End summary.

2. (SBU) Deputy USTR Ambassador Josette Sheeran Shiner traveled to Hanoi July 22-25 accompanied by Elena Bryan, USTR Senior Director for Southeast Asia and the Pacific and Christopher Moore, Senior Policy Advisor. DUSTR Shiner, accompanied by the Ambassador, Ms. Bryan, Mr. Moore and Econoffs from Hanoi and HCMC, met with DPM Vu Khoan, Minister of Trade Tuyen, Vice Minister of Trade Luong Van Tu (her official counterpart and chairman of the GVN's WTO accession negotiation team), Minister of Planning and Investment Vo Hong Phuc and Vice Minister of Finance Le Thi Bang Tham. She also met with representatives from the Hanoi and Ho Chi Minh City (HCMC) Amcham Board of Governors and spoke at an Amcham lunch.

U.S. role in VN's WTO accession

3. (SBU) In her meetings with DPM Vu Khoan and other senior GVN officials, DUSTR Shiner emphasized that her principal purpose in traveling to Vietnam was to demonstrate the USG's strong support for Vietnam's WTO accession and to seek out ways to accelerate the process. DUSTR Shiner noted that at the 8th Working Party (WP) meeting in Geneva in June, both Vietnam and the U.S. demonstrated a higher level of commitment to Vietnam's accession. She pointed out that earlier in the week the U.S. had provided written responses to the GVN goods and services market access offers and noted that the two sides need to work together to move Vietnam's accession along at a faster pace. In response to requests from all of her interlocutors to schedule bilateral market access negotiations, DUSTR Shiner agreed that another round of negotiations could begin in early October, subject to Vietnam responding to U.S. comments on goods and services in the next few weeks. (Note: Dates, place and scope of the negotiations were left TBD. Discussions on different topics could be held in different places at different times. End note).

4. (SBU) DUSTR Shiner compared Vietnam's WTO accession efforts to those of a marathon runner who has already run 25 miles, and just needs to go one more mile to reach the finish line. Vietnam has had to make many changes very quickly, she said, and the GVN may feel like it needs to stop and rest. However, Vietnam must keep moving because other "runners," like China and India, are very close and are putting pressure on Vietnam. During the last mile, DUSTR Shiner warned, the GVN must avoid being distracted by other issues, and keep its eye focused on the ultimate goal. Whatever challenges Vietnam faces - textile quotas or attracting investment for example - all of them reinforce the need for Vietnam to accede to the WTO so it can compete globally on equal footing. As with other accessions, the U.S. will play an absolutely critical role during that final mile. In the WTO, the U.S. is always the engine behind the accession process. Neither Japan nor the EU will pull Vietnam through; the U.S. is left with the responsibility to

make it happen and will do so because the U.S. is committed to a strong and prosperous Vietnam that can grow its share of global trade and compete with China.

15. (U) DPM Vu Khoan expressed appreciation for USG support for Vietnam's accession and the USG's positive response to Vietnam's last WTO offer. He acknowledged that Vietnam still has a great deal of work to do, including speeding up its legislative agenda to meet the requirements of the WTO. The DPM said he looked forward to substantial discussions between the U.S. and GVN delegations and promised the GVN would respond quickly to USG comments on Vietnam's market access offers. He assured DUSTR Shiner that the GVN would cooperate with the U.S. to reach its WTO goal. Vice Minister of Trade Tu also highlighted the need to speed up the passage of WTO-related legislation. He pointed out that the National Assembly has decided that it will focus two-thirds of its working time on this issue, and that the GVN will work to shorten the legislative timelines included in the last WTO offer.

16. (SBU) Minister of Trade Tuyen urged DUSTR Shiner to ensure that the U.S. requests of Vietnam during the WTO negotiations are "reasonable" and that they reflect an understanding of Vietnam's level of economic development. The U.S. should consider the sectors that are sensitive for Vietnam, he urged. Many industries are still in the infant stage - having just developed in the last ten years. I seek your sympathy, he said; Vietnam needs to find the appropriate pace of development and needs to develop domestic support for reform. DUSTR Shiner reassured the Minister that the U.S. is sensitive to Vietnam's development concerns, but urged Vietnam to consider the U.S. philosophy that the more open an economy is, the better it is for the people. That is why the U.S. has become the most prosperous nation in the world, she asserted. Increased liberalization is critical to Vietnam's development.

#### WTO TECHNICAL ASSISTANCE -----

17. (U) In all her meetings, DUSTR Shiner offered USG technical assistance for the accession process on specific topics. She offered assistance to help Vietnam prepare the agricultural support tables that will form a key part of its agricultural obligations in the WTO. Vietnamese officials asked for help to meet the requirements of the Sanitary and Phyto-Sanitary (SPS) Agreement. DUSTR Shiner indicated a willingness to be helpful, but asked the GVN to indicate the specific kind of assistance Vietnam needs on SPS issues.

#### PNTR ----

18. (SBU) DUSTR Shiner explained that a Congressional vote on PNTR for Vietnam is necessary for the U.S. to fully accept Vietnam's WTO accession. At some point after the negotiations are complete, but before full accession, the U.S. will have to schedule a vote on PNTR. We know from our experience with China, DUSTR Shiner said, that these votes tend to bring up every aspect of the relationship including human rights, religious freedom, investment climate and trade disputes. A PNTR vote becomes a referendum on the relationship. Very significant improvements in the broader bilateral relationship, including cooperation on counter-terrorism and other USG priority issues will be key underpinnings for that debate. However, there are a number of predictable vulnerabilities the GVN needs to seriously consider that will be critical to overcoming the PNTR hurdle.

19. (SBU) It is important that the GVN not wait until the end of the year to focus on this issue. DUSTR Shiner urged her GVN counterparts to think early about creating the right climate for PNTR and noted that it will be important for Vietnam to develop a coalition of companies that feel positive about their experiences in Vietnam. A number of companies would support Vietnam, but others are frustrated.

10. (U) Vice Minister Tu suggested that a positive and effective means to deal with the issue of human rights is to have members of Congress and National Assembly members meet and discuss the issues face-to-face. This is the best way to increase the understanding of each other's views, the VM asserted. Vietnam has done this with other countries and found it to be very effective, he added.

#### Trade and Investment Climate -----

11. (SBU) DUSTR Shiner noted in her discussions that U.S. companies are very interested in trade with Vietnam and the U.S.-Vietnam Bilateral Trade Agreement (BTA) has been essential in stimulating that interest. The trade numbers since entry-into-force of the BTA in December 2001 are a real success story in the history of our two nations. The

task of implementing the rules of bilateral and global trade is daunting but important, as implementation will provide the necessary infrastructure for Vietnam to be successful. With the benefits, however, expanded trade always brings additional frictions. In the U.S. the Congress is unhappy about the size of the U.S trade deficit. Additionally, while some industries - such as the high tech industry - have flourished because of trade liberalization in the U.S., other industries - such as the textile and apparel industry - have suffered. It is difficult for workers in shrinking industries to understand the benefits of free trade. The USG and GVN have to manage these additional frictions to ensure the people of both Vietnam and the U.S. view the situation as win-win, DUSTR explained. For the U.S., improving the investment climate in Vietnam and GVN efforts to continue to attract U.S. investment is critical to this process.

#### Insurance -----

¶12. (SBU) DUSTR Shiner highlighted GVN reluctance to issue insurance licenses to U.S. companies not only as a likely problem during the PNTR debate in Congress, but also as a development issue for Vietnam. She told her interlocutors that there is a perception in Washington, including among members of Congress, that Vietnam is not a receptive place for U.S. investment, particularly in areas such as insurance, automobile manufacturing and telecom. Many members of Congress feel that U.S. insurance companies are not getting fair treatment - that the GVN is giving European companies a lead in establishing themselves in Vietnam's market. DUSTR Shiner argued that it is shortsighted of the GVN to leave U.S. insurance companies so uncertain about when they can invest in Vietnam. It will be important to have these companies on board as part of the coalition supporting PNTR for Vietnam in Congress. During the China PNTR debate, support from U.S. insurance companies was crucial. The more certainty the GVN can provide on insurance the better - the GVN needs to deal with this issue quickly so it does not become an obstacle to PNTR.

¶13. (SBU) DUSTR Shiner noted that it is in the overall interest of Vietnam's economy to allow greater investment in this sector. The U.S insurance companies that want to invest in Vietnam now will bring tangible benefits, including capital and investment in infrastructure. China is facing a real crisis because it does not have enough insurance products in the market. It takes insurance companies a long time to train people and set up offices and product lines. In the meantime, it is difficult for businesses in other sectors to invest if there is little or no insurance coverage. In Vietnam, less than ten percent of the economy is covered by insurance - so it is an open market with a lot of potential. However, if Vietnam continues to restrict investment in the insurance sector, it could soon face the same problems China is facing now.

¶14. (SBU) Vietnam should consider itself lucky to have so many quality U.S. companies looking to invest, Ambassador Shiner repeatedly pointed out. Many developing countries in Africa are doing everything they can to attract U.S. investment in key areas such as financial services, telecommunications and auto manufacturing with little success. Vietnam, however, seems to be trying to slow down the pace of investment.

¶15. (SBU) DPM Vu Khoan told DUSTR Shiner that he takes her concerns regarding the insurance sector seriously and said the GVN would consider the points she raised on the issue. Minister of Trade Tuyen noted that choosing between U.S. companies has proven quite difficult and said the GVN is not prepared to issue more than one license at a time. He reiterated a long-standing GVN request that the U.S. choose which company should get a license first. DUSTR Shiner indicated that the USG does not make such choices. Minister Tuyen also noted that Vietnam's insurance market is still small. There are already four foreign companies and only one domestic company operating in the country. MPI Minister Phuc said that the GVN is still discussing the insurance issue internally. He noted he has told the Government that he believes allowing more companies into the market will benefit Vietnamese consumers.

¶16. (SBU) Vice Minister of Finance Tam told DUSTR Shiner that the GVN will issue insurance licenses according to its own schedule - but indicated that the schedule had not yet been decided. She asserted that Vietnam has already liberalized its insurance market - the GVN has allowed the establishment of representative offices, encouraged joint ventures with Vietnamese companies and issued two 100 percent foreign-owned insurance licenses (Note: to AIG and Prudential UK in the life sector. End note.) Now the GVN is considering additional applications for licenses from New York Life, Ace, AIG (for the non-life sector) and Marsh (broker services) but will issue the licenses according to the GVN's own schedule. For Ace and NY Life, the problem is

choosing between two U.S. companies vying for licenses in the same sector, at the same time. For AIG, the GVN is hesitating because AIG already has one license to operate in Vietnam.

#### Autos -----

17. (SBU) DUSTR Shiner also identified problems in the auto sector as another area the GVN needs to address before the PNTR debate in Congress. By significantly raising taxes on autos, the GVN is sending the message that Vietnam does not want investment in this sector, DUSTR Shiner declared. In addition, when taxes get too high, consumption and revenue drop. This is not the best way to raise revenues for road infrastructure, which some GVN officials told Shiner was one reason for the tax increase.

18. MPI Phuc admitted that GVN agencies are not united on the issue of taxes on the auto sector and are still considering how to proceed. The Government's report on the first six months of the year noted that auto production in Vietnam had dropped two percent because of the tax policy. MPI Phuc promised the GVN would look more closely at the issue.

#### Telecom -----

19. (SBU) DUSTR Shiner highlighted U.S. companies' interest in investing in the telecommunications sector in Vietnam and noted this would be an important sector in bilateral services negotiations in Vietnam's WTO accession. While Vietnam's latest services offer is good in a number of sectors, it is more restrictive in telecom than under the BTA. DUSTR Shiner encouraged her counterparts to look more closely at this sector. Vietnam needs good telecommunications infrastructure to attract FDI in other areas. It is in Vietnam's interest to have a more forward leaning offer on telecom, she advised.

20. (SBU) Minister of Trade Tuyen explained that telecom liberalization has always been a difficult issue for Vietnam. During the BTA negotiations, it took a year of negotiations before the GVN agreed to increase the cap on U.S. equity in telecom joint ventures from 49 percent to 50 percent. This clearly demonstrates Vietnam's sensitivity on this issue, he said. The GVN fully understands how important the telecom sector is to the U.S., but the USG should not ask Vietnam to make a stronger commitment than China's WTO commitment in this same area. China is stronger than Vietnam economically; it would be quite difficult for Vietnam's leadership to accept a commitment equal or stronger than China's.

#### IPR ----

21. (SBU) DUSTR Shiner also emphasized the importance of intellectual property rights (IPR) as a development issue. As Vietnam continues to grow and develop, it should look to become an innovative economy with its own unique patents and inventions. To do that, DUSTR Shiner advised, Vietnam will need a strong IPR protection regime. Additionally, if Vietnam can develop a more effective IPR regime, it could use this as a competitive advantage over China in attracting high-end investment. IPR problems in China are so severe they are causing investors to look for alternative places to put their money. Jordan experienced very positive results from the strict IPR requirements in the Free Trade Agreement (FTA) it signed with the U.S. New IT and pharmaceutical industries developed in Jordan almost overnight. Now Jordanian officials around the world promote strong IPR protection as the best way to attract more investment.

22. (U) Minister of Trade Tuyen told DUSTR Shiner that the GVN planned to hold a special government meeting focused on IPR protection in the next quarter of this year. He said that he understands USG views on IPR, but explained that development and progress on IPR always follows the pace of industrialization. The USG cannot expect changes in IPR protection in Vietnam overnight, he asserted. MPI Minister Phuc reiterated the GVN's commitment to implementing Vietnam's IPR obligations and noted that the GVN wants to attract more investment in key areas.

#### SHRIMP AND TEXTILES -----

23. (SBU) DPM Vu Khoan and other interlocutors mentioned the ongoing anti-dumping case against shrimp as a GVN "concern." DUSTR Shiner promised to convey GVN concerns back to Washington. Vice Minister of Trade Tu reiterated a GVN request that the USG agree to renegotiate the bilateral textile agreement next year, with an eye to increasing textile quotas for Vietnam. After expiration of the WTO

Agreement on Textiles and Clothing (ATC), Vietnam will be the only country left with quotas, he complained. (Note: Expiration of the ATC at the end of 2004 will lift textile and apparel quotas for all WTO members. End note.) This is an issue of mutual concern - both for Vietnamese exporters and U.S. retailers. MPI Minister Phuc urged the USG to give Vietnam equal footing with WTO members on textiles.

124. (SBU) DUSTR Shiner noted that only WTO membership will give Vietnam certainty on textiles. With the expiration of the ATC approaching, the U.S. domestic textile industry is feeling threatened with extinction. There is no political support for any additional U.S. flexibility on quota issues. U.S. companies have already started to consolidate their sources of textiles. Previously companies sourced out of twenty or thirty countries; after the ATC, most companies plan to reduce to two or three countries. U.S. retailers view Vietnam as one of the top textile producing countries, but the longer Vietnam is subject to quotas, the harder it will be for them to continue to source in Vietnam. This is yet another reason the U.S. and Vietnam need to work together to get rid of obstacles and ensure that Vietnam can get into the WTO as soon as possible, DUSTR Shiner declared.

125. (SBU) COMMENT: GVN officials clearly welcomed DUSTR Shiner's message of strong support for Vietnam's WTO accession. Their focus and determination to stay on message was demonstrated by the relatively minimal amount of time they dedicated to complaining about shrimp and textiles. Even the normally erratic Minister of Trade stuck close to his talking points on WTO. With USTR agreement to begin the next round of bilateral negotiations in October, the responsibility for maintaining momentum is squarely back on the GVN's shoulders. End comment.

126. (U) USTR EBryan cleared this cable.  
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